



**Addressing the Challenges of
Recovery & Rebuilding
from Hurricanes Katrina & Rita**

**Comments to The Road Home
LRA Board of Directors Meeting
April 19, 2006**



Summary of Public Comments

- The formal public comment period on *The Road Home* concluded on Monday, April 17th.
- The Office of Community Development collected comments on the plan through community meetings held in Lake Charles and New Orleans, and by fax, mail, email and internet. Comments are being reviewed for formal response and incorporation into the plan.
- In all, we received nearly 1,000 separate sets of comments from individuals and interest groups, including:

Real Estate Developers	AFL-CIO
The Advocacy Center	ACORN
YURCO Hope Group	GNO Fair Housing Action Center
Mortgage Bankers Association	New Orleans Legal Assistance
National Immigration Law Center	National Housing Conference
Center on Housing Policy	LANO
Freddie Mac	Unity of Greater New Orleans
Neighborhood Housing Services of New Orleans	
National Low Income Housing Coalition	



Overview of Public Comments

Comments on *The Road Home* to be discussed today are:

- Duplication of Insurance Proceeds
- Penalty for Lack of Necessary Insurance
- Eligibility Limits Under Partial Funding
- Redevelopment of Purchased Property
- Protecting Homeowner Equity
- Viability of the Buyout Option
- Payments to homeowners only
- Help with Existing Mortgages
- Sufficient Funding for Rental
- Target rental programs to parishes with greatest loss
- Prioritize affordable rental programs
- Stretching Funding for Rental Development
- Creating a First-Time Homebuyer Program



Duplication of Insurance Proceeds

- **Issue:** The Homeowner Assistance Program currently does not allow CDBG funds to duplicate insurance proceeds.
- **Comment:** HR 32 asks the LRA to consider allowing duplication of insurance payments.
- **Facts:** According to HUD, the Stafford Act prohibits federal funds from duplicating benefit for any loss resulting from a disaster, including insurance benefits.
- If allowed, reducing the insurance deduction would be costly, requiring a reduction in assistance to each homeowner:

% Insurance Counted	Additional Cost to Program	Required Cap per Homeowner
100%	\$ -	\$ 150,000
75%	\$1,795,000,000	\$ 79,500
50%	\$3,132,700,000	\$ 70,600
25%	\$4,374,800,000	\$ 65,300
0%	\$5,445,300,000	\$ 62,100



Penalty for Lack of Necessary Insurance

- **Issue:** The plan currently reduces by 30% the incentive grant to a homeowner failing to carry the type of insurance required for the damaged home (i.e. had no flood insurance in a flood zone).
- **Comment:** HR 32 proposes removal or reduction of that penalty.
- **Facts:** Owners subject to the penalty needing additional help to get back into a home will be able to apply for an incentive loan to cover costs not met by the grant.
- Removing the penalty sets the precedent that insurance is unnecessary to protect against losses incurred in major disasters.
- The cost to remove the penalty is \$152 million.



Eligibility Limits Under Partial Funding

- **Issue:** Louisiana does not have enough money to fund *The Road Home* as proposed, so eligibility must be limited.
- **Comment:** HR 32 asks the LRA to eliminate income-based eligibility limits.
- **Facts:** Congress must appropriate an additional \$4.2 billion to fully fund *The Road Home*. Under funding currently available, two mutually exclusive groups are eligible for homeowner assistance:
 - Those living outside the flood plain who were flooded; and
 - Those with family incomes at or below 70% AMI, irrespective of cause of damage.



Eligibility Limits Under Partial Funding (continued)

- Alternatives for homeowner assistance to meet current partial funding include:
 - Reduce the benefit cap for all homeowners to \$43,000;
 - Confine eligibility to homes with severe damage, rather than major or severe damage, requiring a reduction of the assistance cap to \$130,000 per owner;
 - Maintain a \$150,000 assistance cap per owner, but limit assistance to no more than 67,500 homeowners with homes in certain parishes with the most severe damage; or
 - Maintain a \$150,000 assistance cap per owner and select 67,500 eligible owners through a lottery system.
- While pending Congressional action should eliminate the need for any eligibility limits, the eligibility guidelines proposed in the current Action Plan will help the most families maintain homeownership.



Redevelopment of Purchased Property

- **Issue:** The plan allows homeowners to sell damaged properties to the State and relocate.
- **Comment:** Management and redevelopment of purchased property will require an entity focused on those responsibilities.
- **Facts:** *The Road Home* program calls for local redevelopment authorities to submit a plan to the LRA for approval, that details how they will package properties for redevelopment consistent with local redevelopment plans.
- Prior to redevelopment, options for dealing with the purchased property include:
 - Immediately transfer property to local authorities;
 - Establish a unique state entity to serve as the land management authority;



Protecting Homeowner Equity

- **Issue:** Proposed buyouts (Relocate or Sell) are grants to homeowners, but program is silent on treatment of equity.
- **Comment:** Concern that homeowner assistance may primarily go toward paying off an existing mortgage, rather than equitably or fairly replacing a homeowner's loss of equity.
- **Facts:** A homeowner may need to use grant assistance from *The Road Home* to pay down an existing mortgage.
- For homeowners that pay off an existing mortgage and cannot attain conventional financing for repairs or reconstruction, *The Road Home* may offer an affordable loan to help.
- Should *The Road Home* require that the payment be made in equal proportion of equity to debt as represented in the pre-storm mortgage, meaning the lender would share proportionally in any loss?
- Should the amount of payment to the homeowner be based in some amount on equity, not pre-storm value?



Viability of the Buyout Option

- **Issue:** Proposed assistance to homeowners is based on the damaged home's pre-storm value and may not satisfy existing lien holders.
- **Comment:** Concern about the execution of buyouts by the State in these circumstances.
- **Facts:** Existing mortgages may exceed the amount of assistance offered through the program.
- For the buyout option to be effective, the state will have to negotiate aggressively with major lenders.
- Discussions with homeowners and lenders must accomplish two objectives upon buyout by the State:
 - Settlement with current lien holders must result in clear title to the State; and
 - Assurance that the homeowner is not left with negative equity.



Payments to homeowners only

- **Issue:** Current program provides checks for grants directly to homeowners.
- **Comment:** Mortgage lenders (Housing Policy Council) call for check proceeds to be made payable to both the lender and the homeowner, to be paid to a contractor as rebuilding progresses.
- **Facts:** Two party checks reduce fraud and misuse of proceeds. Further, homeowners are more likely to repair and rebuild when moneys are provided as construction loans.
- Compensation checks made payable directly to homeowners allow for faster disbursement because they can be structured to expedite federal environmental reviews and other cumbersome federal requirements. This is similar to the Mississippi homeowner assistance program.



Help with Existing Mortgages

- **Issue:** Many homeowners affected by the storms may need help meeting the obligations of existing mortgages.
- **Comment:** Recommendation that the State create a loan fund to help homeowners meet those obligations until they are able to regain stability and employment.
- **Facts:** There have been sustainable programs offering emergency mortgage assistance to homeowners in need created before.
- Notably, the Pennsylvania Housing Finance Agency has operated emergency mortgage assistance since 1983 through existing consumer credit counseling agencies.
- Assistance goes to homeowners facing financial hardship due to circumstances beyond their control.
- The homeowner must demonstrate the ability to resume full mortgage payments within 36 months.



Sufficient Funding for Rental

- **Issue:** The funding requests made by President Bush to Congress for Louisiana's housing needs are based primarily on covering uninsured losses of homeowners.
- **Comment:** Concern that rental housing redevelopment activities in *The Road Home* are under funded.
- **Facts:** The Road Home devotes \$1.625 billion to rental housing. This is not all, however. \$1.7 billion of Low Income Housing Tax Credits equity will create significant funds for rental development. In all, the LRA estimate that 35,000-40,000 units will be developed.
- When fully funded, the Homeowner Assistance Program provides up to \$150,000 in assistance to each eligible owner. Remaining CDBG funds for housing are devoted to rental housing redevelopment, while reserving enough CDBG to address infrastructure and economic development needs.



Sufficient Funding for Rental (continued)

- Reducing the homeowner assistance budget will require one of several options, including limits on eligibility among homeowners or reductions in assistance per homeowner.
- Should CDBG dollars be transferred from homeowners to rental housing stock?



Target rental programs to parishes with greatest loss

- **Issue:** The Road Home's assistance for restoring rental housing is proposed to be awarded on a competitive basis. Criteria have not been clearly defined.
- **Comment and Facts:** There is a strong desire on the part of the public and the LRA to direct all CDBG funding for rental property redevelopment to areas with the highest rental property loss:

Rental units		
Parish	Major/Severe Damaged Units	Major/Severe Flood Damaged Units
Orleans	51,681	48,272
St. Bernard	5,936	5,865
Jefferson	13,972	7,153
Plaquemines	1,457	1,127
St. Tammany	3,931	3,158
Region 1 Subtotal	76,977	65,575
Cameron	551	432
Vermillion	468	436
Calcasieu	1,953	99
Region 5 Subtotal	2,972	967
Other Parishes	2,166	700
TOTAL	82,115	67,242



Prioritize affordable rental programs

- **Issue:** *The Road Home* rental programs target the majority of funds for affordable units at varying levels of income, for units in mixed income communities. Criteria have not been clearly defined.
- **Comment:** Concern that CDBG funding for rental development may go toward building market-rate units that don't need assistance.
- **Facts:** *The Road Home* rental redevelopment programs are designed to restore the affordable rental stock and to do so in mixed-income communities, as has been recommended by the AIA, APA, PolicyLink, and Bring New Orleans Back Commission to avoid recreating high concentrations of poverty.
- The only requested funding that may serve units with market rents is the set of flexible developer incentives, which targets \$40 million to create viable mixed-income projects.
- Ensuring that all other CDBG rental funding goes to affordable units can be guaranteed by basing rents for units funded by both the LIHTC piggyback and small property programs on benchmarks established under existing public programs.



Stretching Funding for Rental Development

- **Issue:** The current proposal dictates a competitive process in awarding grants, but fixes the amount of CDBG assistance going to each affordable unit in the LIHTC piggyback program and the small rental property program.
- **Comment:** CDBG dollars may be stretched more efficiently to expand the supply of affordable rental properties by letting bidders request the per-unit subsidy they need, perhaps by combining other federal funding sources for low income housing in the application.
- **Facts:** The Road Home proposal requires developers to compete, not on subsidy per unit but on for quality based on fixed subsidy consistent with industry practices.
- Allowing developers to compete on the subsidy required may reduce the marginal cost of affordable units to the State.



Creating a First-Time Homebuyer Program

- **Issue:** *The Road Home* includes assistance for citizens that owned homes at the time of the storms and support for restoration of rental housing stock.
- **Comment:** A First-Time Homebuyer Assistance program has been proposed to help lifelong tenants that can become homeowners.
- **Facts:** The Bring New Orleans Back Commission proposed funding such a program for \$288 million.
- First Time Homebuyer programs traditionally have low conversion rates and take many years to show results.
- To ensure resources are not wasted, program design would be critical:
 - Must be selective when targeting potential homeowners;
 - Must provide intensive counseling through the process.